

FISCAL NOTE

HB 2526 – SB 2775

February 8, 2008

SUMMARY OF BILL: Creates the Tennessee Education Lottery Scholarship Free Community College Program, and the Tennessee Free Community College Scholarship, to be funded from net lottery proceeds. Requires the Tennessee Student Assistance Corporation to promulgate rules and regulations.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$2,529,200 in FY08-09 and by \$3,792,800 in FY09-10.

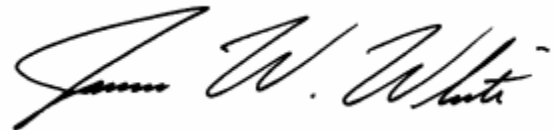
Assumptions:

- “Public community college” means an eligible two-year postsecondary institution operated by the Tennessee Board of Regents that is denoted as a community college or technical community college.
- Eligibility requirements include (1) being admitted to and enrolled in an eligible Tennessee public community college no later than 16 months after graduation from high school, (2) attain an ACT composite score of at least 19, an ACT English score of at least 19, and an ACT math score of at least 19, (3) apply for all available non-repayable financial aid, and (4) meeting other specific eligibility requirements currently established for receiving other lottery scholarships.
- The Tennessee Free Community College Scholarship shall cover the cost of maintenance fees and other mandatory fees. According to the Tennessee Student Assistance Corporation (TSAC), such cost will be approximately \$2,800 per student in FY08-09.
- According to TSAC, there would be approximately 511 new entering freshmen in FY08-09 that would not have qualified for the current \$2,000 Hope award. The cost for these students is estimated to be \$2,800 per student per year.
- TSAC estimates 1,373 students who are currently eligible to receive the \$2,000 HOPE award. The additional cost for these students is estimated to be \$800 per student per year.

- The increase of expenditures from lottery proceeds is estimated to be \$2,529,200 $[(511 \text{ new} \times \$2,800) + (1,373 \text{ current} \times \$800) = \$2,529,200]$ in the first year (FY08-09).
- 2% growth for entering freshmen in year two (FY09-10).
- Same ratio applies to year two regarding the percentage of total students who are currently eligible for Hope award.
- The increase of expenditures from lottery proceeds for new entering freshmen in the year two (FY09-10) is estimated to be \$2,578,800 $[(521 \text{ new} \times \$2,800) + (1,400 \text{ current} \times \$800) = \$2,578,800]$.
- 48% retention rate for the first-year students.
- The increase of expenditures from lottery proceeds for the first-year students who have retained the scholarship is estimated to be \$1,214,000 $[(511 \times 48\% \times \$2,800) + (1,373 \times 48\% \times \$800) = \$1,214,016]$ in FY09-10.
- Total second year (FY09-10) costs are estimated to be \$3,792,800 $(\$2,578,800 + \$1,214,000 = \$3,792,800)$.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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